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# AICPA *Washington Report*

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July 30, 1973

Volume I, Issue 30

## ACTION

A Senate report (93-311) has been issued by the Committee on Labor and Public Welfare regarding legislation necessary for the continuation of the Action program. Section 423 of the Committee-approved bill (S. 1148) contains an audit section which would permit the Director's representative or the Comptroller General to accomplish audits within the various programs.

The Domestic Programs Fact Book, containing information on all Domestic operations has recently been updated and is now available. The Fact Book is designed to provide current information on volunteer programs and sponsoring organizations. All active programs are included in this directory. Further information on this publication can be obtained by contacting ACTION at 202/393-3111 or writing to the agency at 806 Connecticut Ave., N.W., Washington, D. C. 20525.

## CORPORATION FOR PUBLIC BROADCASTING

Legislation extending certain authorizations for the Corporation for Public Broadcasting has been approved by the House. During the floor debate on HR 8538, Rep. Martin (R-N.C.) brought to the attention of the Members, in the form of an amendment, a clarification of the role of the GAO in auditing the operations of the PBC. Rep. Martin, however, produced correspondence between the committee and the GAO which clarified those responsibilities, thus negating the need for such an amendment. The exchange of correspondence as well as Mr. Martin's actions on the floor appeared in the 7/23/73 Cong. Record at p. H 6433.

## COST OF LIVING COUNCIL

Phase IV Regional Conferences have been scheduled by the Council. The meetings for business and labor representatives will provide an opportunity to discuss details of Phase IV of the economic stabilization program. The meetings are as follows: New York (7/30); Detroit (8/2); Chicago (8/3); Houston (8/6); Denver (8/8); Los Angeles (8/10).

Amendments to "Stage A" of the food regulations were issued in the 7/26/73 Fed. Reg., p. 19957. One change included certain recordkeeping requirements for food firms with annual sales or revenues in excess of \$50m.

Reporting forms for hospitals and other institutional health services providers have been issued. The new form (S-52, Rev. 7/73) is reproduced in the 7/24/73 Fed. Reg., along with completion instructions at p. 19801.

A new publication entitled "Phase IV Announcement" has been made available by the CLC. It contains the proposed Phase IV regulations as well as related materials regarding the latest economic stabilization decisions. Copies of the publication can be obtained by calling the Council at 202/254-8830.

## ENERGY AND NATURAL RESOURCES, DEPARTMENT OF

Legislative hearings began in the House Government Operations Subcommittee on Legislation to consider the President's reorganization plan (HR 9090) for Interior and AEC under the new DENR. Companion legislation in the Senate (S. 2135) is to be considered by the Senate Government Operations' Executive Reorganization Subcommittee, along with proposals introduced by Senator Jackson (S. 1283 and S. 2176). The Senate subcommittee hearings are scheduled for 7/31 and 8/1/73.

## FEDERAL POWER COMMISSION

An amendment to the regulations on filing of electric service tariff changes appears in the 7/26/73 Fed. Reg. at p. 19965. As amended, section 35.13 sets forth the provisions to fulfill the reporting requirements. That section provides that the statement of cost of service shall include an attestation by the chief accounting officer or other accounting representative of the filing public utility to the effect that the cost statements and supporting data submitted as a part of the filing which purport to reflect the books of the public utility do, in fact, set forth the results shown by such books.

## FEDERAL TRADE COMMISSION

Legislative hearings are scheduled before the Senate Antitrust and Monopoly Subcommittee to consider Senator Hart's (D-Mich.) proposed Industrial Reorganization Act. Hearings have been set for 7/30 - 8/1/73. The bill establishes a special commission and court to eliminate monopoly and oligopoly and to recommend how seven industries can be more competitively structured. Communications will be the first industry to be the subject of these hearings.

## HEALTH, EDUCATION AND WELFARE, DEPARTMENT OF

Final regulations for financial assistance for the improvement of educational opportunities for Indian children and the improvement of educational opportunities for adult Indians appear in the 7/24/73 Fed. Reg. at p. 19825. In Part 187, Section 187.32 sets forth the audit requirements in the case of the former program. Section 188.21 and .22 provide information on the recordkeeping and auditing requirements in the case of the adult programs. OMB Circular No. A-102 is referenced in both of the program audit provisions.

HMO legislation has been delayed by the House Commerce Committee until after the August recess. Much of the Committee's work has currently been devoted to railroad legislation and it was apparently a decision that this legislation could be delayed.

A "Handbook for Educational Program Audits" has been prepared by Alfred J. Marin and Associates, Washington, D. C., under a contract with the Department. It was developed to define the function of educational program auditing, to determine acceptable auditing activities, to specify the qualifications, and to discuss the role/relationships of the educational program auditor. Further information can be obtained from W. Stanley Kruger, Office of Education, DHEW, Washington, D. C. 20202.

## HOUSING AND URBAN DEVELOPMENT

Senate hearings by the Housing Subcommittee have concluded. Among the numerous proposals was the Administration's bill (S. 1743) which would replace categorical funding with block grants or revenue sharing. Such legislation received minimal support in the House during hearings held earlier this year. Another major bill considered by the Senate Banking Subcommittee was that introduced by Sen. Sparkman (D-Ala.). That bill would have retained the categorical grant programs, similar to

existing law. A report by the subcommittee is expected after the August recess.

#### JUSTICE, DEPARTMENT OF

A bill (S. 2160) to create a Federal Criminal Justice System, with an accompanying reorganization of current law enforcement and penal institutions, has been introduced by Senator Percy (R-Ill.). The Law Enforcement Assistance Administration would be one of the elements brought within this new "Administration". Similar legislation has been introduced in the House by Reps. Anderson (R-Ill.) and Horton (R-N.Y.). Mr. Anderson's remarks on the introduction of the two bills (HR 9395/96) appear in the 7/19/73 Cong. Record at p. H 6376.

#### LABOR, DEPARTMENT OF

Manpower revenue sharing for job training has been approved by the Senate on a vote of 88-5. This was the Administration's first special revenue sharing bill (S. 1559), providing job training and service programs for the poor. The Senate Labor Committee has recommended authorization of \$1.55 billion for manpower training and \$329m for community action programs. As in the case of general revenue sharing, city and county prime sponsors would plan and administer programs within their areas and states would be the prime sponsors responsible for the balance of state areas outside local prime sponsorship areas.

#### OFFICE OF FEDERAL PROCUREMENT POLICY

Hearings on HR 9059, the bill to create an Office of Federal Procurement Policy as well as to prescribe policy regulations, procedures and forms for agencies to use in procurement continue today. The chief witness will be Elmer Staats, Comptroller General of the GAO.

On the Senate side, Senator Hathaway (D-Me.), an active supporter of small business interests, has agreed to co-sponsor Senator Brock's (R-Tenn.) bill (S. 2198) which is a companion bill to that being considered in the House. No hearings, however, have been scheduled in that Chamber.

#### SECURITIES AND EXCHANGE COMMISSION

Legislation has been recently introduced by Rep. Aspin (D-Wisc.) to provide for additional controls over petroleum firms, using the SEC's regulatory authority.

The bill (HR 9266) provides, in Section 7, dealing with divestment plans and financial accounting, that the Commission shall prescribe rules and regulations regarding the financial accounting of companies subject to the Act, to insure careful segregation of operations of such companies in each level of industry operation, separately calculating and reporting capital and operating costs, and profits, for operations relating to crude oil production operation of each refinery, operation of pipelines, and operations of marketing facilities.

The "back office" bill (S. 2058), sponsored by Sen. Williams (D-N.J.) has been approved by the Senate Banking Committee and has been ordered reported to the Senate floor this past week. Senator Williams has indicated he is anxious to have the measure approved quickly in order to give the House an opportunity to consider the subject.

#### TRANSPORTATION, DEPARTMENT OF

Markup by the House Commerce Transportation Subcommittee is likely to be completed this week. The panel is marking up HR 9142, introduced by Rep. Shoup (R-Mont.), to create a joint public-private corporation, nicknamed "Fannie Rae", to pay off railroads' creditors, and purchase assets for the new rail system run by the corporation.

The Senate, after approving emergency legislation (S. 2060) for aid is now ready to consider more comprehensive legislation, such as the bill (S. 2188), introduced by Sen. Hartke (D-Ind.).

The Administration has taken a strong stand against any Federal plan to "bail out" the bankrupt lines. John W. Barnum, Undersecretary of Transportation, stated that these two bills "are inadequate to do the job of salvaging the NE rails and do not provide for an adequate solution to the NE rail crisis."

Freight and boxcar legislation cleared the Senate last week on a vote of 80-6. The bill provides for creation of a "guarantee fund," backed by the credit of the government to insure obligations incurred for the acquisition of rolling stock and equipment for facilities. The Subcommittee, in its draft of the measure, included provisions for the use of CPAs (See Wash. Report No. 23). That provision was deleted in the final form approved by the Senate, with the responsibilities for oversight being placed on the GAO.



TREASURY, DEPARTMENT OF

The Senate Finance Committee approved a pension measure calling for increases to 15% or \$7500 in the case of the self-employed. The bill also establishes revised financial reporting and disclosure requirements, and vesting of overall responsibility for pension administration in the Treasury Department.


Pension legislation is expected to be the first item to be considered when the Senate returns from its August recess.

Another pension bill has been introduced in the Senate by Sen. Hart (D-Mich.). The bill (S. 2235) contains provisions for audits by CPAs or LPAs. There is a section for "surprise audits" as well. An analysis of the bill appears in the 7/23/73 Cong. Record at p. S 14302.

Trade legislation has slowed down and one staff member indicated it will take a "near miracle" to have the measure ready prior to the scheduled recess.

RECOMMENDATIONS OF THE ADMINISTRATIVE CONFERENCE WITH RESPECT TO GRANT PROGRAMS

The Administrative Conference recently offered several recommendations for adoption in the process of rulemaking procedures and administrative proceedings. One such recommendation dealt with enforcement of standards in federal grant-in-aid programs. The Conference's recommendation (No. 71-9) appears in the 7/23/73 Fed. Reg., p. 19790. The recommendation itself deals with the federal administrative complaint procedure which the Conference feels ought to be amended to be more effective.

  
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## WASHINGTON LIAISON ACTIVITIES

Supplement No. 6

July 30, 1973

### Economic Stabilization

Committees and subcommittees have met with representatives of the Cost of Living Council to discuss proposed regulations under Phase IV, and to suggest changes thereto.

A subcommittee also met with representatives to obtain modification of current administration of regulations for the health care industry to enable CPAs to better evaluate "feasability" of projects for new construction.

### Federal Maritime Matters

In view of proposed finalization of Federal Maritime Commission regulations on deferral of taxes on funds invested in ships, the Committee will prepare position papers for submission to the Accounting Standards Executive Committee to clarify the status of deferred taxes (Par. 2 of APB 23).

The Committee will also prepare a position paper on the propriety of the "terminated voyage" basis for accounting for operations of steamship companies.

### Federal Procurement Procedures

A task force in studying legislation which has been introduced to create an Office of Federal Procurement Policy.

### Federal Taxation

Executive Committee Actions. The Division's Executive Committee met July 5-6 to consider several matters. The Committee agreed to the request of the Tax Policy Committee to initiate a preliminary survey on the subject of price level and inflation problems.

The Committee authorized the formation of an advisory group to function under the jurisdiction of the International Tax Committee to study gains and losses that occur as a result of currency fluctuations.

A proposed Statement on Responsibilities in Tax Practice entitled, "Disclosure in Preparing Returns" was reviewed and approved for exposure. The Statement will now be submitted to counsel prior to exposure to the membership.



Planned Meeting with new IRS Commissioner. Arrangements were made for members of the Executive Committee to meet with Internal Revenue Commissioner, Donald C. Alexander, on August 14. The agenda will include the following items: IRS access to accountant's workpapers, informal conference procedures at the national office, conformity of tax and financial accounting, and the regulation of return preparers.

Meeting with John F. Hanlon, Assistant Commissioner, Compliance, IRS. The Committee on International Taxation met July 9 with John F. Hanlon and discussed areas of mutual concern. Among the topics considered were current problems with "competent authority"; closing agreements under Sec. 1248 in transactions involving exchanges of stock; documentation of foreign tax credits; and status as resident or nonresident of trainees in the U.S.

Meeting with Senator Bible. Members of the Advisory Committee on Tax Forms met with Senator Alan Bible and members of the Senate Select Committee on Small Business to discuss the Committee's comments and recommendations for improving Publication 334, Tax Guide for Small Business-1973 Edition.

#### General Accounting Office

A revised draft of the report on the GAO's publication Standards for Audit of Governmental Organizations, Programs, Activities & Functions has been submitted to the Chairman of the Auditing Standards Executive Committee for review.

#### Health, Education and Welfare, Department of

Health Care legislation. On June 29, 1973 an internal staff memo was sent to appropriate Washington Office staff summarizing the proposal bills on health care legislation before the 93rd Congress. The current bills cover basically four areas:

1. Health maintenance organization - expanding basic health care facilities and services to underserved areas.
2. National Health Care Insurance - call for the expansion of health care insurance to provide discounts on health insurance premium payments. This would be done through a Federal Government - private industry joint venture.
3. National Health Security - would provide for Federal funding of virtually a health care and related medical service. This bill is not expected to become law in the foreseeable future.
4. Administration "Mega-Plan" - The Administration is expected to submit, in August, a proposal to completely overhaul the HEW Dept. More will be known about the

program when the bill becomes available.

We are now in the process of analyzing the present proposals and will be making recommendations concerning our involvement in the near future.

Proposed Legislation for Financial Disclosure by Non-Profit Hospitals. A meeting is being arranged with Mr. Richard Murphy of the Service Employees International Union to review the auditing and reporting requirements in a bill his group is lobbying for on financial disclosure by non-profit hospitals. We have some reservations concerning the amount and kind of disclosure required.

HEW Audit Guide. A review of the HEW audit guide was made and a letter of comment developed.

#### Interstate Commerce Committee

The Committee met with representatives of the Association of American Railroads to discuss the ICC's proposals to adopt equity accounting and tax allocation accounting.

#### Labor, Department of

A new draft audit guide has been issued by the Labor Department - Job Opportunities in the Business Sector (JOBS) Contracts Audit Guide. This guide is being sent to members of the Institute Labor Committee for comment. It is expected that comments will be submitted to the Labor Dept. around September 1st.

#### Securities and Exchange Commission

Presentations have been made to the SEC for revisions to Regulation S-X to conform the Regulations more closely to actual practice. A presentation has also been made to suggest conditions under which it might be appropriate for limited tax-shelter partnerships to report financial data on a tax basis.

#### Treasury, Department of

Office of Revenue Sharing. On July 19th the Task Force on the Revenue Sharing Audit Guide submitted comments on the guide to the Office of Revenue Sharing.

Pension legislation. We are now attempting to make contact with the Joint Committee on Internal Revenue Taxation to present our views on why the Senate bills should be modified.

Model Audit Language. An intensive study was made of The staff's recommendation for model language for inclusion into legislation or regulations proposed by Congress or Federal agencies.